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INTRODUCTION

The Office of Internal Audit performed an audit of Kent County DHS for the period July 1, 2003 through November 2, 2004. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Department of Human Services (DHS) are being followed. Kent County DHS had 382 full time equated positions (FTE's) at the time of our review. Kent County DHS provided assistance to an average 46,094 recipients per month in FY 2003, with total assistance payments of \$67,519,662 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Kent County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Cash Disbursements

General Ledger

Modified Accrual Basis Balance Sheet

Safe and Controlled Documents

State Emergency Relief (SER)

Direct Support Services

Client Processing

CIMS/ASSIST/LASR

Payroll and Timekeeping

Procurement Card

EXECUTIVE SUMMARY

Based on our audit, we conclude that Kent County DHS internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. The disbursement process, Client Information Management System, ASSIST, and LASR system access and security need improvement to strengthen controls.

LOCAL OFFICE RESPONSE

The management of Kent County DHS has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated February 15, 2005 that they are in general agreement with the report with the exception of finding # 15.

Cash Receipts

Receipts Issued for Warrants Returned to the Business Office

1. Kent County DHS did not follow established procedures for issuing receipts when warrants were returned to the Business Office. The Business Office issued an Official Field Receipt to the person returning the warrant.

Accounting Manual code 462 requires an Official Cashiers Receipt to be issued and recorded in the Cash Receipts Register as a memo item.

WE RECOMMEND that Kent County DHS issue Official Cashiers Receipts for all warrants returned to the Business Office.

Recording Returned Local Office Checks on the Mail Logs

2. Kent County DHS did not follow established procedures for recording locally issued checks returned to the Local Office. Staff opening the mail recorded returned Local

Office checks on the mail log prepared for money received for deposit into the Social Welfare Fund (SWF).

Accounting Manual 431 requires a locally issued check returned to the Local Office to be recorded on the Daily Record and Disposition of Checks/Warrants/EBT Cards (DHS-61) with warrants that are sent/returned to the Local Office for disposition.

WE RECOMMEND Kent County DHS mailroom staff record locally issued checks returned to the Local Office on the DHS-61 used to record warrants sent/returned to the Local Office.

Review of Funds Not Deposited

3. Kent County DHS did not establish adequate control over funds that were recorded on the mail logs that were not deposited in the Social Welfare Fund (SWF).

Mailroom staff will record negotiable instruments on the mail logs that will subsequently be determined by the Cashier that they are not to be deposited to the SWF. The Cashier will make disposition of the funds and note this on the mail logs.

Internal Control over these funds can be improved when supervisory staff reviews the disposition of these funds.

WE RECOMMEND that Kent County DHS Business Office supervisory staff review the disposition of all funds recorded on the mail logs that are not deposited in the Social Welfare Fund.

Cash Disbursements

Supporting Documentation for Local Office Payments

4. Kent County DHS staff did not submit the appropriate documentation to the Business Office for payments made at the Local Office. We examined 59 payment documents on file in the Business Office. The documentation for 29 of the payments was a photocopy of an invoice/bill. One Family Reunification and two Youth in Transition payments had memos attached describing the amount of the disbursement, but did not have an invoice/bill attached. One Emergency Services payment had supporting documentation attached that did not have an amount entered on the documentation. Two locally issued State Emergency Relief (SER) payments had shelter verification forms attached to the Authorization/Invoice (DHS-849), however, there was no proof of need documents attached to validate why the SER funds were to be disbursed.

Attaching the original bill/invoice for the amount to be paid to the payment authorization submitted to the Business Office provides assurance that payments are accurate and appropriate.

SER Manual Item 303 states the eligibility and verification sources for SER payments. The worker should attach the documents described in Item 303 to document the need for SER funds to alleviate a client's emergency due to factors or conditions beyond their control.

WE RECOMMEND that Kent County DHS attach the original bill/invoice with the amount to be paid to the payment authorization submitted to the Business Office.

WE ALSO RECOMMEND that Kent County DHS attach the original documentation to the payment authorization that provides proof of need to alleviate an emergency for the client.

Authorization/Invoice (DHS-849) File for Locally Issued SER Payments

5. Kent County DHS did not ensure that locally issued State Emergency Relief SER payments were filed and reconciled with the DHS-849, 93(A) Issuance Report (ES-440).

The Business Office files the original Authorization/Invoice (DHS-849) with the payment documentation in the permanent DHS-849 file. A carbon copy of the DHS-849 and the check copy are placed in the payment files.

The DHS-849 and payment documentation for nine locally issued SER payments could not be located in the permanent DHS-849 file.

Accounting Manual code 404 requires the DHS-849, with attached original provider's invoice/bill, to be filed in a permanent file.

WE RECOMMEND Kent County DHS ensure that the Authorization/Invoice (DHS-849) and payment documentation are filed in the permanent DHS-849 file, as required by Accounting Manual code 404.

Cancellation of Payment Documents

6. Kent County DHS did not always follow established procedures for canceling payment documents.

The payment documentation for eight of the payments examined was not stamped “Paid.” The payment procedures described in the Accounting Manual require all payment documentation to be stamped “Paid.”

Failure to stamp payment documents “Paid” increases the risk of duplicate payments.

WE RECOMMEND Kent County DHS ensure that all payment documents are stamped “Paid,” as required by the Accounting Manual.

Reconciliation of the Check Register and Sign-O-Meter Record

7. Kent County DHS did not follow established procedures for reconciling the check register with the Sign-O-Meter Record. The staff performing the reconciliation did not complete the reconciliation section of the Sign-O-Meter Record and did not sign it to document performing the reconciliation.

Accounting Manual 410-1 requires the reconciliation section to be completed monthly and signed by the staff performing the reconciliation.

WE RECOMMEND that Kent County DHS staff performing the reconciliation of the check registers with the Sign-O-Meter Record, complete, and sign the Reconciliation Per Check Register Section on the Sign-O-Meter Record.

Input of Worker Load Number for Disbursements Data on LASR

8. Kent County DHS did not always correctly enter a worker load number when entering payment data on LASR. Thirty locally issued State Emergency Relief (SER) payments were entered on LASR without a worker load number. An examination of six of these payments revealed the worker did not enter their load number on the

DHS-849. Four Emergency Services payments and seven Direct Support Services (DSS) payments did not have a load number entered on the authorization document. One DSS payment had an incorrect load number and the Business Office failed to enter the load number on LASR for another payment.

Accurate input of the worker load number on LASR is required to identify the staff authorizing the expenditure on LASR.

WE RECOMMEND that Kent County DHS require all staff to accurately enter their load number on the authorization forms.

WE ALSO RECOMMEND that Kent County DHS Business Office accurately input the worker load number on LASR.

General Ledger

Cash Reserve Certifications

9. Kent County DHS did not follow established procedures for the Cash Reserve Certification.

Kent County DHS did not have copies of the Cash Reserve Certifications on file. Copies of the certifications obtained from Central Office disclosed that the Cash Reserve Certification memo to be signed by the Kent County Treasurer was signed by the former Accounting Manager for Kent County DHS.

Accounting Manual code 402-6 states that the Local Office Director is responsible for coordinating with the County Treasurer the completion of the treasurer's certification. Also, copies of the signed memos are to be placed in the Local Office cash reserve file.

WE RECOMMEND that Kent County DHS have the County Treasurer's certification signed by the County Treasurer, and place copies of the signed memos in the cash reserve file, as required by Accounting Manual code 402-6.

Modified Accrual Basis Balance Sheet

No findings in this area.

Safe and Controlled Documents

Controlled Document Control and Physical Inventory

10. Kent County DHS did not establish adequate inventory controls of blank voucher checks or Official Field Receipts.

A physical inventory of the blank voucher checks was not taken for the month ending July 31, 2004, nor did the Business Office control the Official Field Receipts as a controlled document.

Accounting Manual 403 states that a monthly physical inventory and a reconciliation of documents distributed must be made with documents recorded in the accounting records, and that Official Field Receipts are to be controlled using the established procedures for controlled documents.

WE RECOMMEND that Kent County DHS perform a monthly physical inventory of the blank voucher checks and control Official Field Receipts, as required by Accounting Manual Code 403.

State Emergency Relief

Supporting Documentation for Payments

11. Kent County DHS did not follow established procedures for State Emergency Relief (SER) payments submitted to the Business Office for reconciliation with the DHS-849, 93(A) Issuance Report (ES-440). A review of seventy (10%) of the transactions on the June 2004 ES-440 Report disclosed forty-six payments that did not have original documentation attached to the Authorization Invoice (DHS-849) on file in the Business Office. One transaction did not have an authorizing staff signature on the DHS-849 or transactions screen print.

Internal Control Criteria dated November 2004 requires an original invoice/bill or Fax (with vendor identification) to be attached to the DHS-849/screen print forwarded to the Fiscal Office for reconciliation to the ES-440 report. If these are not available, a Documentation Record (DHS-223) with name of vendor contact, telephone number, date and time of contact, and amount to resolve the emergency is to be attached to the DHS-849/screen print.

Attaching the original invoice/bill/fax for the amount to be paid to the Business Office and a copy of the DHS-849/screen print helps to ensure that payments are accurate and appropriate.

All payment authorizations should be signed with a minimum of first initial and last name. Properly signed payment authorizations are required to provide assurance that the payments are accurate and appropriate.

WE RECOMMEND that Kent County DHS attach the original invoice/bill/fax to the Business Office copy of the Authorization Invoice (DHS-849).

WE ALSO RECOMMEND that Kent County DHS require staff authorizing payments to sign all authorizations with an original valid signature consisting, at a minimum, of a first initial and last name.

Direct Support Services

Supporting Documentation for Direct Support Services (DSS) Payments

12. Kent County DHS staff did not submit the appropriate documentation to the Business Office for Direct Support Services (DSS) payments. We examined 72 (7.7%) of 930 payments. The documentation attached to the Employment and Training Expenditure Authorization (DHS-4663) for twenty of the payments examined were photocopies of an invoice or an estimate. The supporting documentation for one payment did not have an amount entered and two payments did not identify the vehicle being repaired.

Internal Control Criteria dated November 2004 requires an original invoice or fax from the vendor to be attached to the DHS-4663. If these are not available, an DHS-223 (Documentation Record) is to be attached to the DHS-4663.

Attaching the original invoice/bill that identifies the amount to be paid and the vehicle being repaired to the DHS-4663 submitted to the Business Office, provides assurance that payments are accurate and appropriate. Failure to have an amount entered on the invoice and /or not identifying the vehicle being repaired increases the risk of inappropriate payments.

WE RECOMMEND that Kent County DHS attach the original invoice/bill with the amount to be paid and the vehicle identified to the Employment and Training

Expenditure Authorization (DHS-4663) submitted to the Business Office for payment.

Documenting Client Eligibility for Vehicle Repairs and Insurance

13. Kent County DHS did not establish client eligibility for vehicle repairs or insurance for five payments. We selected a sample of twenty of the seventy-two payments for examination of the case record. We examined the case records to determine if the Specialist properly documented eligibility of the client for the repair or insurance payment.

Five of the case records examined did not have documents on file to establish client ownership for the vehicle that was repaired or the vehicle insurance that was purchased. One case did not have any payment documents or proof of ownership for the vehicle that was repaired. An inquiry with the Secretary of State indicated that the client did not own a vehicle with the description entered on the invoice.

Program Eligibility Manual Item 232 states that the Specialist should ensure that an eligible group member owns the vehicle before authorizing a major repair.

Failure to document ownership of the vehicle increases the risk of making a payment for a vehicle that is not owned by the customer or eligible group member.

WE RECOMMEND that Kent County DHS document client ownership of vehicles in the case record before authorizing payments for vehicle repairs or insurance.

WE ALSO RECOMMEND that Kent County DHS determine if the repairs to the vehicle for the client in which there were no payment documents in the case record complied with Direct Support Services policy.

Client Processing

No findings in this area.

CIMS/ASSIST/LASR

CIMS and ASSIST Enrollment Profile/Security Agreements

14. Kent County DHS did not have current and accurate Client Information Management System (CIMS) Security Agreements (DHS-3974A) or ASSIST Enrollment Profiles (DHS-3720) and Security Agreements (DHS-3721) on file for staff who access CIMS and ASSIST.

Thirty-nine staff had a CIMS status reported on the Operator Identification Report (PF-011) Report that was not entered on the approved DHS-3974A. The status on the PF-011 report for twenty-nine staff was different than that reported on the DHS-3974A. The DHS-3974A for one staff could not be located.

Forty-nine staff had ASSIST job profiles on the ASSIST Monthly User Listing (VB-9554) report that were not entered on an approved DHS-3720. Twenty-nine staff had ASSIST job profiles on the VB-9554 report that were different than those entered on the DHS-3720. The DHS-3720 for one staff and DHS-3721 for one other staff could not be located.

CIMS Security Policy requires an DHS-3974A or DHS-3720 and DHS-3721 to be prepared for all new users of CIMS and ASSIST, and for all current operators each time an enrollment change is proposed.

WE RECOMMEND that Kent County DHS review the Client Information Management System Enrollment Profile/Security Agreements (DHS-3974A) and

ASSIST Enrollment Profiles (DHS-3720) and Security Agreements (DHS-3721) to determine that correct and accurate forms are on file for all staff.

Inconsistent CIMS Status and ASSIST Job Types for Staff

15. Kent County DHS had assigned Client Information Management System (CIMS) status levels that were inconsistent with staff job responsibility. The District Manager at the Franklin Street Office and twenty FIMs have CIMS “FIS” status. The two Section Managers also have CIMS “FIS” status and ASSIST job profile 280 (FIM). Eleven RSS support staff have been assigned “FLM” or “CRS” status on CIMS and job profile 360 (RSS) on ASSIST. Two Business Office staff have “FLM” status on CIMS.

Internal Control Criteria dated November 2004 states that if a person has the ability to assign new case numbers and register applications in ASSIST and perform the full range of file maintenance transactions on CIMS, this one person has complete control of a transaction. If staff are assigned a status level above inquiry on CIMS, and have registration capability on ASSIST, an independent person must review all of their CIMS transactions appearing on the Transaction Control Report (MA-010).

Assigning staff a CIMS status and ASSIST job type that allows them to register and open cases does not allow for the proper separation of duties.

WE RECOMMEND that Kent County DHS delete the District and Section Manager’s “FIS” status on CIMS and the Section Manager’s 280 (FIM) job profiles on ASSIST or have independent staff review any of their transactions that appear on the Transaction Control Report (MA-010).

WE ALSO RECOMMEND that Kent County DHS change the CIMS status of the eleven RSS and support staff to inquiry or “IRG” only and the FIMs to Inquiry Only, or have independent staff review any of their transactions that appear on the Transaction Control Report (MA-010).

WE FURTHER RECOMMEND that Kent County DHS change the CIMS status of the Business Office staff to Inquiry Only, or have independent staff review any of their transactions that appear on the Transaction Control Report (MA-010).

LASR Security Request (DHS-84)

16. Kent County DHS did not have any LASR Security Access Request (DHS-84) forms on file for the Business Office staff that have access to LASR.

Completion of the DHS-84 is required to ensure that management approves staff access to LASR. The DHS-84 is also required for reconciliation of the LASR Security Officer Log Report (LR-853).

WE RECOMMEND that Kent County DHS prepare a Security Access Request (DHS-84) for all staff that have access to LASR.

Reconciliation of the CIMS and ASSIST Security Officer Log Reports

17. Kent County DHS did not have staff reconcile the transactions on the CIMS (PD-180) and ASSIST (VB9-173) Security Officer’s Log Report with a revised CIMS Enrollment Profile/Security Agreement (DHS-3974A) or ASSIST Enrollment Profile (DHS-3720).

Internal Control Criteria dated November 2004 requires a complete reconciliation of the Security Officer's Log Reports with the Enrollment Profile Agreements, signed by management or supervision, to provide assurance that changes to job profiles are authorized. Staff with inquiry only capability, or staff with update capability, but not the Security Coordinator, should perform the reconciliation.

WE RECOMMEND that Kent County DHS reconcile the CIMS (PD-180) and ASSIST (VB9173) Security Officer's Log Report with the CIMS Enrollment Profile/Security Agreement (DHS-3974A) and the ASSIST Enrollment Profile (DHS-3720) signed by management/supervision.

Reconciliation of the LASR Security Officer Log Report (LR-853)

18. Kent County DHS did not have staff reconcile the LASR Security Officer Log (LR-853) Report with the LASR Security Access Request (DHS-84).

Internal Control criteria dated November 2004 and L-letter 02-088 requires a complete reconciliation of the LASR Security Officer's Log Report (LR-853) with the LASR Security Access Request (DHS-84).

WE RECOMMEND that Kent County DHS have staff reconcile the LASR Security Officer Log Report (LR-853) with the LASR Security Access Request (DHS-84).

Children's Protective Services

No findings in this area.

Payroll and Timekeeping

Payroll Certification

19. Kent County DHS did not always follow the correct approval process for the payroll certification and review process.

A review of the payroll ending June 23, 2004, disclosed that the timekeeper and the payroll certifier did not sign the Time and Attendance Summary (HR-332A) for the timekeeping units at Kent County DHS.

Internal Control criteria dated November 2004 requires the timekeeper and certifier to sign the Time and Attendance Summary Report (HR-332A).

WE RECOMMEND that Kent County DHS have the timekeeper and the certifier sign all Time and Attendance Summary Reports (HR-332A).

Payroll Reconciliation

20. Kent County DHS did not reconcile the Time and Attendance Summary Report (HR-332A) with a Time and Attendance Summary Report (HR-332A) printed after the payroll had been certified on the Data Collection Distribution System (DCDS), as recommended by the Internal Control Criteria dated November 2004.

This reconciliation is necessary to ensure that no changes were made to the payroll after the certifier signs the original HR-332A.

WE RECOMMEND that Kent County DHS reconcile the Certified Time and Attendance Summary Report (HR-332A) with the Time and Attendance Summary Report (HR-332A) printed after the payroll has been certified on the Data Collection Distribution System (DCDS).

Signing the Employee Time and Attendance Record (DHS-4299)

21. Kent County DHS did not establish adequate control over the preparation of payroll documents. A review of the payroll ending June 23, 2004, disclosed one Employee Time and Attendance Report (DHS-4299) that had been initialed by the employee and two that had been initialed by a supervisor.

Internal Control criteria dated November 2004 requires that the employee accurately complete the DHS-4299 and the supervisor approve the employee time sheet, attesting to the accuracy of all reported time. The certification section on the DHS-4299 requires the employee and supervisor's signature certifying the accuracy of the reported time.

WE RECOMMEND that Kent County DHS have all Employee Time and Attendance Reports (DHS-4299) signed by the employee and the supervisor.

Procurement Card

No findings in this area.